



Evaluation Findings from the Sector Sustainability Project - November 2024

The 2023-2024 Project is the start-up phase of a Human Services System Reform process implemented through the Sector Sustainability Program 2023-2028.

The Sector Sustainability Program is part of the ACT Government's response to the Counting the Costs Report that outlined the rising demand and rising costs across the community sector but noted that a simple increase in funding alone would not result in a more sustainable sector.

When announcing the Sector Sustainability Program the ACT Government said it was:

“a new program and the first in a series of steps the ACT Government will take on moving to a sustainable resourcing and relationship model with the community sector in the ACT. The Sector Sustainability Program will contribute to the ACT Government and the community sector partners together ensuring funding adequately reflects the real cost of services, as well as the impact of increased demand.”

Objectives of the 2023-2024 Sector Sustainability Project (SSP) are to:

- Implement recommendations that Community Sector and ACT Government agreed would improve the sustainability of NFP delivered human services
- Provide advice (policy and budget) on activity and investment needed in 2025-2028 to further progress sustainability of the partnership between NGOs and the ACT Government

Theory of Change guiding the SSP

IF we facilitate a shift in the mindset, relationships, connections and power dynamics between the ACT Government and NGO partners in the delivery of human services

THEN a sustainable resourcing and relationship model for the community sector will be developed that ensures individuals, families and the community will receive the services and support that meet their needs

BECAUSE there have been structural changes in policies, practices and resource flows, that will counteract the Starvation Cycle and progress the recommendations in the Counting the Costs report



Summary of progress 2023-2024

Objective	Traffic Light Indication of Progress
<p>Engagement in SSP activities</p>	<p>Strong NGO and ACT engagement, including some specialist NGOs in July 2023-April 2024.</p> <p>Reduced NGO engagement after ACT Budget showed no investment in baseline funding levels of Programs or continued funding of SSP beyond December 2024.</p> <p>Limited engagement of Treasury throughout the project.</p>
<p>Understanding of actions required to counteract the Starvation Cycle – this is an indicator of a shift in the Mindset guiding the partnership between ACT Gov and NGOs delivering human services</p>	<p>Increased understanding of Starvation Cycle but limited opportunity within current Commissioning Cycle Investment phases to address gap between funding or full costs of service delivery.</p> <p>Commitments made by the parties and Ministers of ACT's 11th Legislative Assembly demonstrate a shift in mindset towards improved sector sustainability and partnership between ACT Government and NGOs delivering human services.</p>
<p>Moving from in-principle acceptance of recommendations to enacting process, policy and resource changes that improve sustainability of NFP delivered human services – this is a measure of changes in relationships, connections and power dynamics between ACT Gov and NGOs delivering human services</p>	<p>ACT Government resourcing for the Community and Government Co-Leads enabled co-design of measures that could be implemented.</p> <p>Some indicators that changes are being incorporated into policy thinking but limited progress, at November 2024, on enacting changes recommended from SSP consultations and co-design activities.</p> <p>No capacity to enact the short-list of funding efficiencies agreed by the Commissioning Senior Officials Group in December 2023.</p>
<p>Evidence of moving to a sustainable relationship and resourcing model that ensures individuals, families and the community will receive the services and support that meet their needs</p>	<p>Revised Community Sector Indexation formula adopted in 2023-2024 provided higher indexation than in previous years, but did not address keeping up with increasing costs and had no capacity to address changes in population.</p> <p>New Human Services Transition Policy recognises NGOs need to retain funds to build reserves to meet legislative and regulatory obligations. Implementation of this policy is not consistent.</p>
<p>Evidence of structural changes in policies, practices and resource flows</p>	<p>Unsustainable levels of funding, inefficient funding arrangements and inability to expand to meet growth in demand or reorient to prevention and early intervention are being entrenched during current procurement processes.</p>



Co-Lead commentary on the three levels of change the project focused on

1. Achieving a shift in the **mindset, relationships, connections and power dynamics** that influence sector sustainability:

A co-production model needs a stronger authorising environment that survives staff changes and incentivises NGO and ACT Government investment of time and resources in SSP activities. In the absence of a sufficient level of authorisation for a co-production model, resourcing existing Peak bodies to add sector sustainability work into their role is a more appropriate mechanism for maintain the momentum on sustainability work.

Awareness of the Non-Profit Starvation Cycle has increased for both NGO and ACT Government stakeholders who engaged in the project. Broader awareness of this cycle and practical actions by funders and service providers to counteract the cycle will strengthen delivery on sustainability objectives in the future.

2. Changes in **policies, practices and resource flows**

Policies:

The range of policy advice activities described in Attachment A demonstrate the SSP contribution to policy development. The extent to which SSP input was influential in policy adoption by ACT is difficult to distinguish from other factors that also influence policy and system change. The development of a Knowledge Hub to enable continued access to materials created during the SSP leaves a body of work that can continue to inform future change.

There was no opportunity during project to engage in dialogue with ACT Treasury regarding the inadequacy of the Indexation formula to address increases in non-discretionary costs, including costs set by government (i.e. increases in superannuation entitlements, increase in Long Service Leave Scheme levy).

Practices:

A short list of funding efficiencies was agreed by CSOG in March 2024 but there was no capacity or authorisation in funding management teams/roles to lead implementation.

The Governance Committee agreed a key focus of activities in July-November 2024 should be to develop a Funding Managers Policy and Procedures Manual incorporating advice generated in the first 12 months of the project. There was no capacity during the Caretaker period for consultation with NGOs on development of this Manual, and a lack of capacity within existing programs/funding administration teams to invest time or expertise to contribute to this work.

There is a lack of investment in capacity, capability and continuity of effort over time in data development work. This has been an ongoing challenge in human services development in the ACT, with collaborative data development activities commenced but not progressed through to implementation. This includes the significant investment by ACT Government Official and NGO leaders during the



Human Services Blueprint development process in 2014-2018, which was subsequently shelved.

The data mapping foundation work completed during the Start-Up phase confirmed a lack of clarity and consistency in data collection and an absence of infrastructure to enable consolidated analysis of ACT human services data collected.

It is not possible to build a shared understanding of the data already collected, what it tells stakeholders about unmet demand, opportunities to increase early intervention and prevention, and what further data is needed to inform future investment in individual Programs or the human services system in the ACT.

There is a lack of capability and capacity to systematically analyse and gain insights from data provided through funding reports to determine if there is evidence of unmet needs, a lack of funding to conduct evaluations and limited appetite to divert resources from service delivery to evaluation activities. NGOs have limited capacity within current funding envelopes to invest in monitoring/evaluation/learning infrastructure and capability.

Both ACT Government and NGOs have data and insights relevant to service development and policy reform, but these data are not shared with each other unless they are part of the specific reporting requirements.

Resource flows:

Funding for expert consultants to develop costing tools and provide advice on data development was significantly less than the market costs for securing this expert advice. The consultancy to develop costing tools and resources was double what was budgeted for, even following negotiation of project methodology and outputs.

A business case was developed for the 2024-2025 ACT Budget but no further funding for resourcing existing NGO funding arrangements or implementing the SSP was secured in the 2024-2025 Budget. Work on a Budget Business Case for 2025-2026 was not authorised to commence in 2024. The lack of ongoing funding to support the Sector Sustainability Program beyond the Start-Up phase reduced NGOs confidence that the ACT Government is committed to progressing Counting the Costs recommendations and consequently reduced engagement by NGOs in project activities.

The in-principle agreement to the Counting the Costs recommendation that services are fully costed was difficult to implement without reducing service scope/outputs. This was at least partly the result of most commissioning processes occurring without an ACT Budget decision to increase resources, which limited capacity to respond to additional needs identified by stakeholders. Limited coordination inside ACT Government on policy and budget case development also impacted on implementation of the in-principle commitment to fully cost human services programs and services.

Sustainable resourcing and relationship model for the community sector that ensures individuals, families and the community will receive the services and support that meet their needs.

Progress towards a sustainable resourcing and relationship model has been made, with the ACT Government agreeing the following actions in 2024-2028:

- Update the Social Compact



- Review funding of human services programs delivered by NGOs, and include consideration of population growth, workforce remuneration and increasing complexity

The Start-Up Project has generated insights and identified stakeholder expectations of future priorities for action on sector sustainability.



Advice on other activities for investment in 2025-2028 that will further inform development of a sustainable resourcing and relationship model has been provided to the Governance Committee:

- Establish an oversight and engagement strategy for the community sector funding review that builds on the achievements, and learns from the experience, of the collaborative/co-lead approach piloted through the Sector Sustainability Project.
- Complete the development of costing tools (UWA) and obtain Cabinet commitment to full cost pricing of all NGO delivered services.
- Revise the approach to indexation so that over time it will ensure sector funding keeps pace with real increases in costs associated with price increases, wage increases, population growth and changes in complexity of need.
- Through the community sector multi-enterprise agreement negotiations, quantify the increase to funding required to improve parity with public sector superannuation and leave conditions, and make this adjustment to all NGO contracts and grants.
- Invest in capability within the new Community Sector Unit and in the NGO sector to:
 - o undertake needs analysis.
 - o strengthen contracting, data collection and analysis.
- Develop a Human Services outcomes monitoring, evaluation and learning framework that aligns with the ACT Wellbeing Framework, the Closing the Gap Priority Reforms and Human Services Outcomes, and is incorporated into the Whole of Government human services data governance and reporting framework.
- Publish an annual report, starting in 2025-2026, that consolidates all current qualitative and quantitative data collected by ACT government human services Program reporting relevant to:
 - o evidence of unmet need.
 - o opportunities to invest in prevention and early intervention.
- Establish capability to quantify savings to tertiary systems achieved through investment in early support and prevention.
- Provide project resources within CSD to enable improvements to contract management, and consistent implementation of policy, procedure, and guidelines to improve efficiency of relationship management practices, including a whole of government policy environment for a consistent approach to relationship and contract management.
- Develop strategy to build sector sustainability into the 'business as usual' practices of government, including during budget consideration.